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BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1964

BERKSHIRE HATHAWAY INC.

The Company had 3,823 Stockholders on
October 3, 1964

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

ABRAM BERKOWITZ	ARTHUR INGRAHAM, JR.
JONATHAN CHACE	JOHN K. STANTON
DANIEL COWIN	OTIS C. STANTON
LINSLEY V. DODGE	SEABURY STANTON
BRADFORD R. FROST	A. N. WINSLOW, JR.

EXECUTIVE COMMITTEE

SEABURY STANTON, *Chairman*

ABRAM BERKOWITZ	BRADFORD R. FROST
MALCOLM G. CHACE, JR.	OTIS C. STANTON
DANIEL COWIN	A. N. WINSLOW, JR.

OFFICERS

SEABURY STANTON, *President*

JOHN K. STANTON, *Vice President, Treasurer and Clerk*

LINSLEY V. DODGE, <i>Vice President</i>	WILLIAM H. POTTER, <i>Vice President</i>
JOHN E. HARTLEY, <i>Vice President</i>	STANLEY RUBIN, <i>Vice President</i>

BERKSHIRE HATHAWAY INC.

FINANCIAL HIGHLIGHTS

For Fiscal Years 1964 and 1963

	<u>October 3, 1964</u>	<u>September 28, 1963</u>
Sales	\$49,982,830	\$50,590,679
Net Earnings (Loss)	175,586	(684,811)
Earnings (Loss) per share	.15	(.43)
Depreciation	1,101,147	1,716,613
Additions to properties and equipment	\$ 288,608	\$ 665,813
Cash	\$ 920,089	\$ 660,264
Notes payable — banks	2,500,000	5,400,000
Accounts receivable (net)	7,450,564	7,670,236
Inventories	11,689,145	18,011,345
Working capital	14,502,068	17,410,503
Working capital per share	12.75	10.83
Stockholders' equity	22,138,753	30,278,890
Stockholders' equity per share	19.46	18.84
Payroll	\$13,135,731	\$16,093,207

BERKSHIRE HATHAWAY INC.

A N N U A L R E P O R T

For the Year Ended October 3, 1964

November 20, 1964

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

The fiscal year ended October 3, 1964 resulted in a profit of \$175,586 after depreciation of \$1,101,147, and all Divisions of the Company were operating on a profitable basis at the end of the final quarter.

Our policy of closing plants which could not be operated profitably was continued, and, as a result, the Berkshire King Philip Plants A and E in Fall River, Mass. were permanently closed during the year.

The land and buildings of Plant A have been sold and those of Plant E offered for sale. A considerable amount of the machinery has also been sold, and that part of the remainder which has not been transferred to other plants has been offered for sale.

The Company now operates Berkshire King Philip Plant D in Warren, Rhode Island, and the Hathaway Synthetic, Box Loom and Home Fabrics Divisions in New Bedford, Mass.

We are continuing our program of reducing overhead and other non-operating costs in our existing facilities.

Raw material, stock in process and cloth inventories were decreased by \$6,322,200 during the year, and bank loans were brought down from \$5,400,000 to \$2,500,000, notwithstanding the expenditure of \$5,315,723 during the year for the purchase of capital stock of the Company. Since the end of the fiscal year additional payments have been made to the banks, and our outstanding loans at present amount to \$1,600,000.

At the beginning of the fiscal year, there were 1,607,380 shares of stock outstanding and, in keeping with the vote of the stockholders at the 1962 Annual Meeting, 469,602 shares were purchased in the open market or through tenders, leaving a total of 1,137,778 shares outstanding at the end of the fiscal year.

Berkshire Hathaway has maintained its strong financial position and it would seem constructive to authorize the Directors, at their discretion, to purchase additional shares for retirement.

During the year the Congress passed a law permitting United States mills to purchase cotton at the same price as that paid by foreign mills under the Government subsidy, and this has corrected the inequitable burden under which United States mills have been obliged to operate since this subsidy was first put into effect in 1956.

The number of looms operating on highly competitive staple grey fabrics has been reduced, and all Divisions have a substantial backlog of unfilled orders. We anticipate that, under existing conditions, the coming year will be profitable.

We very much appreciate the cooperation of our stockholders during the difficult years of reorganization and adjustment which we believe have now been completed.

It is with deep sorrow that we record the death on June 20, 1964 of Mr. Edmund Rigby, our Executive Vice President, Treasurer and Director. Mr. Rigby had been with this corporation for forty-eight years, and is greatly missed by his colleagues and his many friends throughout the industry.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

BERKSHIRE

REVIEW OF

EARNINGS AND SALES

Earnings for the fiscal year ended October 3, 1964 were \$175,586, after depreciation of \$1,101,147. This compares with a loss of \$684,811 after depreciation of \$1,716,613 for the year ended September 28, 1963. Sales volume for the year ended October 3, 1964 was \$49,982,830, compared with \$50,590,679 for the year ended September 28, 1963. Although operations at King Philip A and King Philip E Divisions were discontinued, the volume of sales remained substantially the same as last year resulting in a reduction of inventories.

FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. Net working capital on October 3, 1964 was \$14,502,068, or \$12.75 per share, compared with \$17,410,503, or \$10.83 per share on September 28, 1963 on a greater number of shares then outstanding.

The greater part of the reduction in working capital was the result of the purchase of 469,602 shares of the Company's capital stock during the fiscal year at a total cost of \$5,315,723. The outstanding shares as of October 3, 1964 were 1,137,778, which compares with a total of 1,607,380 shares outstanding on September 28, 1963.

Bank loans were reduced from \$5,400,000 on September 28, 1963 to \$2,500,000 on October 3, 1964. During the fiscal year just ended, expenditures capitalized in connection with machinery and plant facilities amounted to \$288,608. Unexpended commitments for plant and equipment at the end of the fiscal year were \$287,853.

INVENTORIES

Inventories on October 3, 1964 amounted to \$11,689,145, compared with \$18,011,345 on September 28, 1963, or a decrease of \$6,322,200 the greater part of which was due to the reduction in the number of our operating units.

EMPLOYEE RELATIONS

Wage increases were granted throughout the textile industry in the latter part of 1963 and went into effect in our plants on April 15, 1964. Under the terms of our contracts with the

HATHAWAY INC.

OPERATIONS

unions representing our employees, these contracts may be reopened for wage negotiations upon request of either party sixty days prior to April 15, 1965.

MERCHANDISING TRENDS

During the fiscal year, Congress passed legislation enabling American textile mills to purchase American cotton at the same Government established price at which it is sold to foreign countries. The market for cotton fabrics was substantially strengthened after passage of this cotton bill.

PLANTS AND EQUIPMENT

King Philip A and King Philip E Divisions continued to operate at a loss after the end of fiscal year ended September 28, 1963 and, as a result, the directors voted to discontinue these operations. The buildings and most of the machinery in King Philip A Division have been sold and we are in the process of liquidating the physical assets at King Philip E Division. The King Philip B warehouse was sold after the close of the 1964 fiscal year.

On October 3, 1964 approximately \$753,000 remained in the reserve established last year to cover possible losses in the disposal of the remaining physical assets of King Philip A Division. During the fiscal year an additional \$3,000,000 was charged against surplus and added to this reserve to cover possible losses in the liquidation of King Philip E Division. The remainder of the reserve represents the amounts previously established to cover possible losses in the liquidation of other divisions shut down in prior years.

OPERATIONS

The Company maintains four operating divisions — the King Philip D Division in Warren, Rhode Island, and the Hathaway Synthetic, Box Loom, and Home Fabrics Divisions in New Bedford, Massachusetts.

BERKSHIRE

CONSOLIDATED

ASSETS

	October 3, 1964	September 28, 1963
CURRENT ASSETS:		
Cash	\$ 920,089	\$ 660,264
Accounts receivable (less allowance for doubtful accounts — 1964 — \$245,354)	7,450,564	7,670,236
Inventories (<i>Note A</i>)	11,689,145	18,011,345
Prepaid insurance, taxes and other expense	190,563	237,374
TOTAL CURRENT ASSETS	20,250,361	26,579,219
PROPERTIES, PLANTS AND EQUIPMENT (<i>Note B</i>):		
Properties comprising land, buildings, machinery and equipment	33,635,553	37,865,723
Less accumulated depreciation and amortization	21,853,689	23,035,741
	11,781,864	14,829,982
Less estimated loss on properties to be sold	4,210,621	2,005,029
	7,571,243	12,824,953
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS	65,442	43,434
TOTAL ASSETS	\$27,887,046	\$39,447,606

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	October 3, 1964	September 28, 1963
CURRENT LIABILITIES:		
Notes payable — banks	\$ 2,500,000	\$ 5,400,000
Accounts payable	2,096,726	2,415,395
Accrued wages and salaries	294,764	398,660
Accrued state and local taxes	365,112	407,106
Social security and withholding taxes payable	491,691	547,555
TOTAL CURRENT LIABILITIES	5,748,293	9,168,716
STOCKHOLDERS' EQUITY:		
Common stock (\$5 par value) authorized 2,312,816 shares — issued 1,607,380 shares	8,036,900	8,036,900
Retained earnings	19,417,576	22,241,990
	27,454,476	30,278,890
Less common stock in treasury at cost — 469,602 shares	5,315,723	—0—
	22,138,753	30,278,890
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$27,887,046	\$39,447,606

to financial statements.

BERKSHIRE HATHAWAY INC.

CONSOLIDATED STATEMENT OF EARNINGS

	<i>Years Ended</i>	
	<i>October 3, 1964</i>	<i>September 28, 1963</i>
SALES	\$49,982,830	\$50,590,679
Cost of sales, administrative and selling expenses	48,354,012	49,418,947
Depreciation	1,101,147	1,716,613
	49,455,159	51,135,560
OPERATING PROFIT (LOSS)	527,671	(544,881)
Other income	111,849	307,140
	639,520	(237,741)
Other deductions	237,909	309,733
NET EARNINGS (LOSS) BEFORE IDLE PLANT EXPENSE	401,611	(547,474)
Idle plant expense	226,025	137,337
NET EARNINGS (LOSS)	\$ 175,586	\$ (684,811)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

BALANCE AT BEGINNING OF YEAR	\$22,241,990	\$26,018,710
Net earnings (loss) for the year	175,586	(684,811)
Retirement of treasury stock	— 0 —	(1,591,909)
Estimated loss on properties to be sold	(3,000,000)	(1,500,000)
BALANCE AT END OF YEAR	\$19,417,576	\$22,241,990

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements

October 3, 1964

Basis of Consolidation

The consolidated financial statements include the accounts of the Canadian subsidiary.

Note A — Inventories

Raw materials, including materials in process, are priced at the lower of cost or market, except for the cotton content of stock in process of Berkshire King Philip D Division which is priced at a standard established in 1933, which is less than the current market. Current standard costs are used in valuing labor and manufacturing burden in stock in process. Cloth is priced at the lower of cost or market. All costs were determined generally on an average basis.

The inventory of the subsidiary is priced at the lower of cost or market on a first-in, first-out basis.

Note B — Properties, Plants and Equipment

The properties, plants and equipment at October 3, 1964 and September 28, 1963 are stated at net book values of \$7,571,243 and \$12,824,953, respectively. The net values used for federal income tax purposes were \$12,700,092 and \$15,918,135, respectively. Consistent with the practice of prior years, depreciation has been charged to operations on the book basis. The estimated loss on properties to be sold reduces the net book value of these assets to estimated realizable amount.

Note C — Taxes on Income

Federal income tax returns of the Company have been examined through the fiscal year ended September 30, 1957. The statute of limitations has expired on fiscal years ended in 1958, 1959, and 1960.

The Company has unused federal income tax loss carry-overs of approximately \$5,000,000. To the extent not utilized \$400,000 will expire at September 30, 1966 and \$4,600,000 in the succeeding years.

Note D — Contingent Liabilities and Commitments

The Company made contributions to the trustees for the pension plans based upon payment of normal costs. The Company is contingently liable for approximately \$111,000 under the union contract of certain employees who have reached the retirement age specified with a minimum service of fifteen years and who retire voluntarily.

At the close of the fiscal year the Company had outstanding raw material commitments at prices not in excess of market. Plant improvement commitments were \$287,853.

BERKSHIRE HATHAWAY INC.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

(COMBINING COMERY, DAVISON & COMPANY)

CERTIFIED PUBLIC ACCOUNTANTS

10 DORRANCE STREET

PROVIDENCE, RHODE ISLAND 02903

To the Stockholders and
Board of Directors
Berkshire Hathaway Inc.

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiary as of October 3, 1964 and the related consolidated statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of Berkshire Hathaway Inc. at October 3, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Providence, R. I.
November 3, 1964

Peat, Marwick, Mitchell & Co.

BERKSHIRE HATHAWAY INC.

COMPARATIVE FINANCIAL DATA

FISCAL YEARS 	1964	1963	1962	1961	1960
Sales	\$49,982,830	\$50,590,679	\$53,259,302	\$47,722,281	\$62,608,679
Net earnings (loss)	175,586	(684,811)	(2,151,256)	(393,054)	4,623,980
Earnings (loss) per share of common stock	.15	(.43)	(1.34)	(.24)	2.84
Cash dividends paid	—0—	—0—	160,738	1,205,535	1,715,323
Cash dividends paid per share	—0—	—0—	.10	.75	.95
Additions to properties, plants and equipment	288,608	665,813	3,454,069	4,020,542	3,818,632
Working capital	14,502,068	17,410,503	16,473,783	19,844,122	23,430,319
Working capital per share	12.75	10.83	10.25	12.35	14.41
Stockholders' equity	22,138,753	30,278,890	32,463,701	36,175,695	37,981,820
Stockholders' equity per share	19.46	18.84	20.20	22.51	23.37
Common shares outstanding	1,137,778	1,607,380	1,607,380	1,607,380	1,625,519

NOTE: "Common shares outstanding" represents the total shares outstanding at the close of each fiscal year.

BERKSHIRE HATHAWAY INC.

EXECUTIVE OFFICES

97 Cove Street, New Bedford, Mass. 02741

SALES OFFICES

PLAIN & FANCY GREY GOODS

HATHAWAY MENSWEAR LININGS

111 West 40th Street, New York, N. Y.

1290 Avenue of the Americas, New York, N. Y.

HOME FABRICS

261 Fifth Avenue, New York, N. Y.

3028 East 11th Street, Los Angeles, Calif.

100 Wellington Street, West, Toronto, Canada

PLANT LOCATIONS

Hathaway Box Loom Div., New Bedford, Mass.

Home Fabrics Div., New Bedford, Mass.

Hathaway Synthetic Div., New Bedford, Mass.

King Philip D Div., Warren, R. I.

LABORATORY

New Bedford, Mass.

TRANSFER AGENT

OLD COLONY TRUST COMPANY

45 Milk Street

Boston, Mass.

REGISTRAR

THE FIRST NATIONAL BANK OF BOSTON

45 Milk Street

Boston, Mass.

AUDITORS

PEAT, MARWICK, MITCHELL & CO.

Providence, R. I.

COUNSEL

ROPES & GRAY

Boston, Mass.

BERKSHIRE HATHAWAY INC.